

Message Text

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ORIGIN STR-07

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FM SECSTATE WASHDC
TO USMISSION GENEVA

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E.O. 11652: N/A

TAGS: MTN

SUBJECT: LDC STRATEGY

1. SUMMARY: LACK OF SIGNIFICANT EFFORT OR SPECIFIC PRODUCT
OFFERS ON PART OF LDCS HAVE BEEN MAJOR OBSTACLES TO
PROGRESS IN MTN ON ISSUES OF INTEREST TO LDCS. AMBASSADOR
STRAUSS HAS REJECTED COMPLETELY IDEA THAT U.S. BEARS RE-
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SPONSIBILITY FOR DELAYING PROGRESS WITH LDCS AND HAS SO
INFORMED LDC LEADERS WITH WHOM HE HAS MET. NEVERTHELESS,
AN EFFORT BY ALL PARTICIPANTS COULD LEAD TO ACTIVE LDC PAR-
TICIPATION IN THE JULY POLITICAL LEVEL SETTLEMENT OF MAJOR
MTN ISSUES. YOU SHOULD CONTINUE TO EXPLORE POSITIONS
WITH BOTH DCS AND LDCS WITHIN THE PARAMETERS OF CURRENT NE-
GOTIATING INSTRUCTIONS. IN ADDITION ITEMS ENUMERATED IN
LDC PAPER UNDER "ISSUES FOR FUTURE REVIEW" SHOULD BE EX-
PLORED.

2. REQUESTS/OFFERS. WE UNDERSTAND THE NECESSITY FOR A QUICK TURN AROUND BETWEEN WASHINGTON AND GENEVA IN THE OFFERS/REQUESTS EXERCISE DURING THE NEXT FEW WEEKS. HOWEVER, THIS MUST BE CARRIED OUT IN CONTEXT OF ADVISORY COMMITTEES. AMBASSADOR STRAUSS POINTED OUT AT A RECENT ACTN MEETING THAT WE DID NOT HAVE ONE CONTRIBUTION FROM A DEVELOPING COUNTRY IN THE MTN. IT IS THE GENERAL

FEELING OF OUR ADVISORS THAT IF NONE IS FORTHCOMING THERE IS LITTLE REASON TO PROVIDE DIRECT BENEFITS TO LDCS. ALTHOUGH WE MAY NOT HAVE BEEN RESPONSIVE TO EACH AND EVERY LDC REQUEST TO DATE, THERE ARE SUFFICIENT OFFERS ON THE TABLE TO ELICIT SOME RESPONSE FROM THESE COUNTRIES. AS MTN DEL KNOWS, CERTAIN REQUESTS HAVE BEEN WITHHELD FROM CONSIDERATION BECAUSE IT WAS FELT WE COULD BE MORE FORTHCOMING AT A TIME WHEN WE COULD POINT TO LDC CONTRIBUTIONS. ON THE OTHER HAND, IN MANY CASES WE HAVE RESPONDED POSITIVELY TO REQUESTS AND HAVE NOT RECEIVED CONTRIBUTIONS. AS YOU NOTE IN REFTL, IT APPEARS THAT SEVERAL LDCS HAVE RECOGNIZED THE NEED TO ENGAGE IN A REAL NEGOTIATING PROCESS WITH US AND ARE READY TO TABLE OFFERS. HOWEVER, THE INFORMALITY AND VAGUENESS OF COMMITMENTS WE HAVE RECEIVED TO DAE MAKE IT EXTREMELY DIFFICULT TO SERIOUS-LIMITED OFFICIAL USE
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LY CONSIDER IMPROVING OUR OFFER EVEN ON A CONDITIONAL BASIS. WHERE WE RECEIVE A SPECIFIC COMMITMENT, EVEN IF INFORMAL, TO MAKE CONCESSIONS IN RESPONSE TO U.S. REQUESTS, WE WILL MAKE EVERY EFFORT TO BE AS RESPONSIVE AS POSSIBLE TO LDC REQUESTS. HOWEVER, WE WILL NEED EXPLICIT INFORMATION REGARDING CONCESSIONS LDC IS WILLING TO MAKE (E.G. DEPTH OF CUT, LEVEL OF BINDING, DATE OF IMPLEMENTATION) IN ORDER TO JUDGE WHETHER LDC OFFER IS OF REAL BENEFIT TO U.S. EXPORTERS. LDC CONCESSIONS WHICH PROVIDE LITTLE TANGIBLE BENEFIT OR ARE TOO VAGUE TO JUDGE THEIR WORTH WILL NOT BE CONSIDERED.

3. CODES. THE PROPOSALS THAT WE HAVE SET OUT IN THE VARIOUS CODES ESTABLISH WHAT WE CONSIDER TO BE NEGOTIATING PARAMETERS WHICH ARE SUFFICIENT TO GET LDCS TO ENGAGE IN SERIOUS DISCUSSION ON THE CODES. IF KEY DEVELOPING COUNTRIES THINK THAT THEY WILL BE ALLOWED TO REAP BENEFITS FROM THE CODES WITHOUT ASSUMING SIGNIFICANT OBLIGATIONS, WE ASSUME THEY ARE BEING DISABUSED OF THE NOTION. ONE PROBLEM THAT WE HAD WITH REF CABLE WAS ITS EXCLUSIVE FOCUS ON DIFFERENTIAL TREATMENT, WITH LITTLE DISCUSSION OF LDC MFN BENEFITS DERIVED FROM ASSUMING FULL MEMBERSHIP IN CODES AND, VERY IMPORTANTLY, PARTICIPATING IN THE CODE DRAFTING EXERCISE AND THE DEVELOPMENT OF THE CODES OVER TIME. WE ASSUME, HOWEVER, THAT YOUR DISCUSSIONS WITH THE KEY LDC PARTICIPANTS WILL HIGHLIGHT THIS POINT. SINCE THERE IS

LITTLE DIFFERENTIAL TREATMENT OFFERED IN THE CODES, CIRCULATION OF THE TEXTS WILL ONLY PROVIDE BASIS FOR LDC REQUESTS FOR IMPROVEMENTS. HOWEVER, CIRCULATION OF TEXT COULD FOCUS LDC ATTENTION ON WHAT IS POSSIBLE IN ADDITION TO THE OVERALL MFN BENEFITS TO BE DERIVED FROM CODE MEMBERSHIP. OUR RECENT CONVERSATIONS IN LDC CAPITALS INDICATE THAT PARTICIPANTS IN FACT ARE MORE INTERESTED IN

GETTING CONCRETE LONG-LASTING RESULTS FROM NEGOTIATIONS RATHER THAN DEPENDING ON SPECIAL AND DIFFERENTIAL TREAT-
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MENT TO PROVIDE BENEFITS. WE AGREE WITH DEL, HOWEVER, THAT REALISTIC S AND D OPTIONS IN THE CODES NEED TO BE EXPLORED, BUT IT HAS BEEN DIFFICULT TO OUTLINE SUCH IN THE ABSENCE OF DETAILED DISCUSSIONS WITH LDC PARTICIPANTS. WE ARE PREPARED TO RESPOND TO LDC REQUESTS FOR DIFFERENTIAL TREATMENT IN THE VARIOUS CODES PROVIDED IT IS TIED TO THE ASSUMPTION OF OBLIGATIONS, ESPECIALLY BY THE "KEY" LDCS. IN THIS REGARD IT IS IMPORTANT THAT GENEVA PROVIDE ASSESSMENT OF WHICH COUNTRIES ARE "KEY" IN EACH OF THE CODES.

4. ENABLING CLAUSE. WE ARE WORKING ON DEVELOPING ENABLING CLAUSE PROPOSAL WHICH VARIOUS WASHINGTON AGENCIES PLUS DEVELOPING COUNTRIES WILL BE ABLE TO ACCEPT. GREENWALD, HARTZELL AND BARTHEL ROSA ARE CURRENTLY MEETING IN GENEVA IN ORDER TO FURTHER EXPLORE AND DEVELOP IDEAS WHICH WILL NEED TO BE CLEARED IN WASHINGTON. AFTER CONSULTATIONS IN WASHINGTON AND WITH KEY LDCS, IT WAS FELT THAT ORIGINAL MTN DEL ENABLING CLAUSE PROPOSAL NOT ONLY OFFERED MORE THAN LDCS EXPECTED TO GET BUT ALSO OUTLINED MORE THAN WE CAN POSSIBLY DELIVER.

5. ARTICLE XVIII. ONE OF THE OUTCOMES WE EXPECT FROM NEGOTIATION IS THAT LDCS ASSUME GATT OBLIGATIONS, INCLUDING THOSE ENUMERATED IN ARTICLE XVIII. IN THIS RESPECT, WE FEEL THAT OUR TENTATIVE PROPOSAL ON XVIII IN FACT REPRESENTS A LIBERALIZATION AND SHOULD BE SO PORTRAYED TO LDCS. IN EXCHANGE FOR BINDING THEIR DUTIES, DEVELOPING COUNTRIES WOULD BE ALLOWED TO INCREASE TEMPORARILY THEIR BOUND DUTIES TO PROTECT INFANT INDUSTRIES WITHOUT COMPENSATION PROVIDED CERTAIN CRITERIA ARE MET INCLUDING NOTIFICATION AND CONSULTATION. WE FEEL THAT OUR PROPOSAL WOULD BENEFIT LDCS BY MAKING CONSULTATIONS UNDER ARTICLE XVIII LESS CON-
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FRONTATIONAL AND BY REMOVING THE ARTICLE'S HEAVY EMPHASIS

ON NEGOTIATING COMPENSATION.

6. LEAST DEVELOPED. OUR PRESENT THINKING IS THAT THE BENEFITS AND OBLIGATIONS THAT WE HAVE OUTLINED IN THE LDC STRATEGY PAPER SHOULD ENSURE THAT THE LEAST DEVELOPED DEVELOPING COUNTRIES RECEIVE THE MOST EXTENDED DIFFERENTIAL TREATMENT, THAT IS, THAT THEY GRADUATE LAST. WE HAVE BEEN WAITING FOR LDCS THEMSELVES TO COME UP WITH A REALISTIC LLDC PROPOSAL OVER THE PAST YEAR. IF GENEVA CAN COME UP WITH A REALISTIC ALTERNATIVE WE ARE WILLING TO ANALYZE IT AND RECONSIDER THE ISSUE. WE ARE

UNWILLING ON JULY 15 TO COMMIT OURSELVES TO UNILATERAL EARLY IMPLEMENTATION OF SOME PART OF OUR OFFER ON PRODUCTS OF SPECIFIC BENEFIT TO LLDCS.

7. RESPONSE TO AGRICULTURAL REQUESTS. AS YOU ARE AWARE, DECISIONS INVOLVING MEXICO AND TOBACCO I.E. ABSENCE TO DATE OF ANY MEXICAN INDICATIONS OF WHAT GOM IS PREPARED TO OFFER, HAVE BEEN HOLDING UP TPSC CONSIDERATION OF SEVERAL OTHER LDC AGRICULTURAL REQUESTS. WE WILL TRY TO RESOLVE THIS PROBLEM DURING THE NEXT WEEK. IF THAT PROVES IMPOSSIBLE, THE OTHER LDC REQUESTS WILL BE CONSIDERED SEPARATELY AT A TPSC MEETING TO BE SCHEDULED ON JUNE 1 OR 2.

8. IT WOULD BE MOST HELPFUL IF DEL COULD WORK OUT A FORM WHICH WOULD PROVIDE CERTAIN INFORMATION TO WASHINGTON ON EACH LDC. FORM OUTLINE MIGHT INCLUDE: LDC REQUESTS FOR MAINTENANCE OF OFFER, INCLUDING TARIFF CLASSIFICATION AND SHORT PRODUCT DESCRIPTION; LDC REQUESTS FOR IMPROVEMENTS IN PRODUCT COVERAGE AND DEPTH OF CUT, INCLUDING TARIFF CLASSIFICATION AND SHORT PRODUCT DESCRIPTION; LDC REQUESTS FOR S AND D TREATMENT, (I.E. FASTER STAGING), INCLUDING LIMITED OFFICIAL USE
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TARIFF CLASSIFICATION AND SHORT PRODUCT DESCRIPTION; AND LDC RESPONSE TO U.S. REQUESTS BOTH IN PRODUCT SPECIFICS (TARIFF CLASSIFICATIONS) AND IN CODES. THIS WILL IMPROVE TURNAROUND IN THE BUSY WEEKS AHEAD AS WELL AS PROVIDE BOTH GENEVA AND WASHINGTON WITH A CLEAR RECORD. WE ARE WILLING TO CONSIDER FASTER STAGING ON A CASE-BY-CASE BASIS PROVIDED SPECIFIC REQUESTS ARE MADE FOR SUCH BY LDCS WHICH HAVE MADE A SERIOUS OFFER. THIS OBVIOUSLY IS EASIER FOR LESS SENSITIVE PRODUCTS. HOWEVER, MANY OF THESE ARE ALREADY ON GSP AND LDCS THEREFORE MAY NOT BE INTERESTED IN FASTER STAGING. BEAR IN MIND THAT FASTER STAGING MAY BE DIFFICULT TO EXPLAIN TO OUR DOMESTIC ADVISORS WHEN PRODUCTS OF INTEREST TO THEM ARE ALREADY FACING SIGNIFICANT TARIFF CUTS OR A DC IS MAJOR SUPPLIER OF ITEM AND MAY NOT HAVE MADE A MEANINGFUL OFFER TO DATE.

9. LDC PAPER WAS FIRST DELIVERED TO GENEVA IN MID-APRIL AND DEL COMMENTS WERE INCORPORATED IN SUBSEQUENT DRAFTS. WASHINGTON FEELS AN EXTRAORDINARY EFFORT WAS MADE TO WORK CLOSELY WITH GENEVA LDC EXPERTS DURING THE PAST 6 WEEKS ON THIS ISSUE AND EXPECTS THAT COORDINATION WILL CONTINUE TO INCREASE DURING THE COMING IMPORTANT WEEKS.

10. IT WAS AGREED IN MARCH DURING WASHINGTON MEETING OF DEL AND STR STAFF THAT WE WOULD FOCUS ON ESTABLISHING OUR NEGOTIATING PARAMETERS VIS-A-VIS LDCS IN THE MTN DURING THE FOLLOWING WEEKS, NOT WORK OUT FINAL POSITIONS. A COMPREHENSIVE APPROACH WOULD HAVE BEEN PREMATURE AT THAT STAGE SINCE DETAILS WERE NOT AVAILABLE FROM LDCS. CLEARLY, IF LDCS HAD PARTICIPATED EARLIER IN GENERAL DISCUSSIONS AND CODE DRAFTING, THE PAPER COULD HAVE BEEN MORE SPECIFIC. HOWEVER, THERE IS STILL TIME FOR EXPLORATION AND WE WELCOME CONSTRUCTIVE SUGGESTIONS FOR MODIFICATION. VANCE
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